

## **FOREIGN AGRICULTURAL SERVICE**

### **REVISED FY 2000 and FY 2001 ANNUAL PERFORMANCE PLANS**

The Foreign Agricultural Service (FAS) was established on March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 83-690, approved August 28, 1954, transferred the agricultural attachés from the Department of State to FAS. These authorities were consolidated in Title 5 of the Agricultural Trade Act of 1978, as amended. Secretary's Memorandum No. 1020-39 dated September 30, 1993, transferred the functions of the former Office of International Cooperation and Development to FAS.

FAS administers programs authorized by separate statutes. These include the Agricultural Trade Act of 1978, as amended; the Food, Agriculture, Conservation, and Trade Act of 1990, as amended; the Agricultural Trade Development and Assistance Act of 1954, as amended; Food for Progress Act of 1985; Section 416(b) of the Agricultural Act of 1949; and Section 1458(a) of the National Agricultural Research, Extension and Teaching Policy Act of 1977. FAS' mission and strategic goals are derived from these legislative mandates.

This document represents the revised FY 2000 Annual Performance Plan (APP) based upon appropriations received and the proposed FY 2001 APP in support of the President's FY 2001 Budget. The level of funding available to FAS in FY 1998, 1999, and 2000 has remained essentially straight-lined since FY 1997. FAS has had to absorb unavoidable wage and price increases over this period. The combined impact of the FY 2000 Federal pay raise and higher overseas costs results in a \$5.6 million shortfall in the FAS operating budget. Addressing this shortfall requires FAS to adopt a number of stringent fiscal measures as follows: closing or downsizing 6 overseas offices (closing Bern and ATOs Milan and Jeddah and downsizing Ukraine and ATOs Hamburg and Tokyo); reducing marketing activities conducted through FAS offices overseas by 50% (that generated approximately \$18 million in exports in FY 1999); reducing domestic discretionary spending such as travel, training, supplies and equipment by 25%; and reducing current U.S. employment levels by 5% to be achieved by continuing a hiring freeze and offering an early retirement opportunity.

At the same time, FAS is experiencing unprecedented workload demands across the agency. The President's Food Aid Initiative, food aid to Russia, and relief efforts in Kosovo and North Korea have resulted in a five-fold increase in the tonnage of food aid programmed. This increase in food aid activity is expected to continue. Ongoing trade policy demands continue unabated, particularly the enforcement of WTO and NAFTA rules, the negotiation of comprehensive bilateral agricultural trade agreements as new countries accede to the WTO, and efforts to ensure new international standards are trade-appropriate. In addition, FAS is engaging in major new initiatives to open markets through the next WTO round of global trade negotiations and negotiation of the Free Trade Area of the Americas. In the technical arena, FAS is using its extensive global network to support the President's Food Safety Initiative, and to ensure that complex new biotechnology, food safety, and quarantine regulations do not unnecessarily restrict U.S. trade. These and other demands on FAS will likely continue through FY 2001 and future years.

FAS has taken prudent management actions to align its activities with emerging priorities to maximize its effectiveness within existing budgetary constraints. In addition to the actions listed above to reduce costs, FAS established a Core Business Process Team in FY 1999 that consists primarily of Assistant Deputy Administrators from across the agency. This team completed a detailed analysis of how personnel resources are allocated throughout the Agency and identified the following emerging priorities that will require increased staffing and budgetary resources:

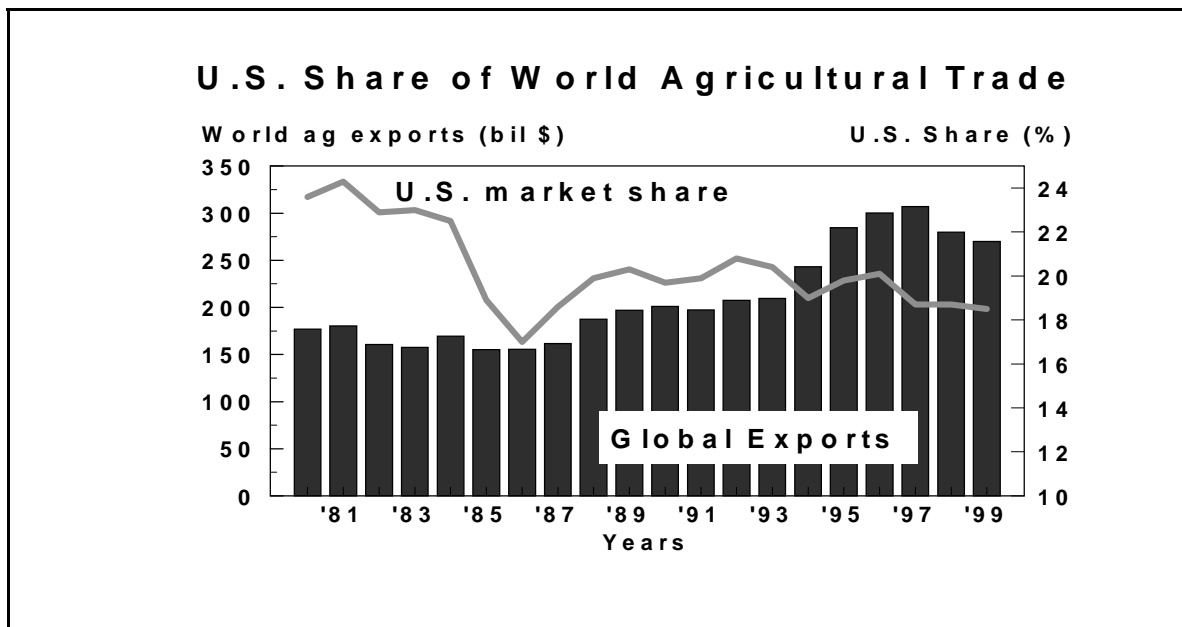
#### ***FAS International Agricultural Trade Emerging Priorities***

- **Next Round of WTO Multilateral Negotiations**
- **President's Food Safety Initiative and USDA's Biotechnology Efforts**
- **Market Access Compliance Monitoring**
- **Market Development Opportunities in Key Overseas Markets**

The team identified activities where FAS could reduce the level of support and shift resources towards these emerging priorities. However, the additional resources required to support these emerging priorities could not be met solely by shifting resources internally if the agency is to maintain acceptable levels of service in other mandated programs that FAS administers. **The necessary net increases are identified and fully described in the "Means and Strategies" sections under the appropriate strategic objective.** This same team will begin coordinating the development of the next version of the Strategic Plan that is due in September 2000.

The mission of FAS is to serve U.S. agriculture's international interests by expanding export opportunities for U.S. agricultural, fish, and forest products and promoting world food security.

Global supply and demand of agricultural, fish and forest products and the related value of trade in those commodities and products are external factors beyond the ability of FAS to control. FAS has determined that its focus should be on helping U.S. exporters increase and/or maintain their share of world trade. From 1981 until the global economic crisis in 1998, worldwide trade in agricultural products expanded by almost doubled. While U.S. agricultural exports also grew sharply during this same period, U.S. export growth lagged that of its foreign competitors. The result was a loss of market share – from 24 percent of global trade in 1981 to its current estimated level of 18.0 percent.



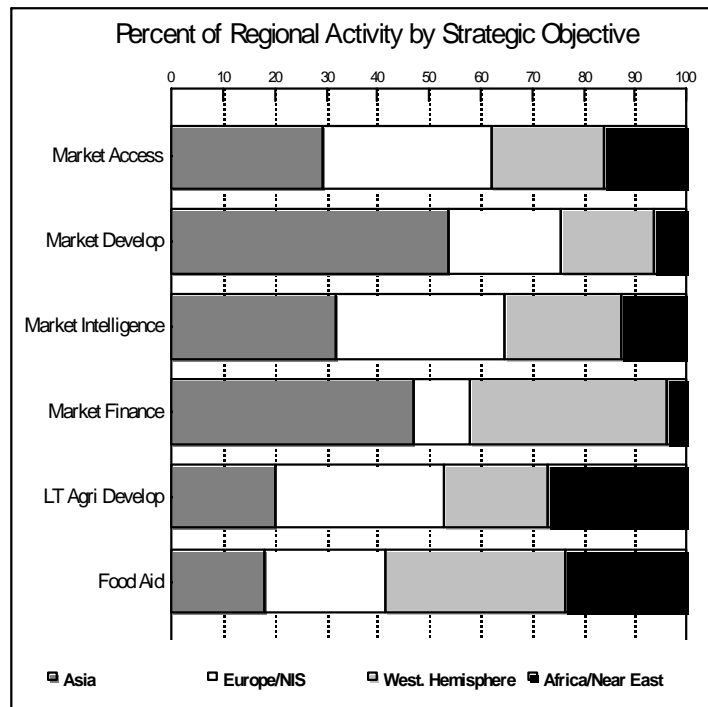
**Four factors help explain this loss of market share:**

- The commodity composition of our competitors' exports are more closely aligned with the fastest growing sector of global import demand -- namely high value products (HVPs). U.S. high value product exports have performed well over the past two decades and have grown in importance, but they still represent a smaller share of our overall agricultural exports than our competitors. This is especially true of our top competitor, the European Union, which is already the world's leading HVP exporter and could, as early as this year, overtake the U.S. as the world's leading agricultural exporter.
- The growing levels of market promotion by our competitors in the EU and the Cairns Group and substantial direct export subsidies by the EU. Market promotion activities such as the Market Access Program (MAP) and the Foreign Market Development (FMD) program were not disciplined in the Uruguay Round. Our competitors have increased their spending in this category to almost \$1 billion, up 35 percent in three years with the overwhelming majority being used to promote HVPs. The growth has been most noteworthy for Australia and New Zealand whose activities have grown to \$400 million, up 70 percent in three years. Meanwhile, U.S. spending in this category is flat and is now less than Australia and New Zealand's combined effort despite the fact that U.S. exports are three times higher.
- Direct export subsidies, while disciplined under the Uruguay Round, are still at formidable levels with our competitors offering their exporters \$8.7 billion in assistance in 1997. At \$7.5 billion, the EU is the largest user of this form of assistance, much of which is used to increase EU exports of HVPs. In contrast, the U.S. used only \$121 million in export subsidies in 1997.
- Growing worldwide misconceptions and fears about the safety and quality of U.S. agricultural products due to biotechnology issues are causing many countries (especially in the EU) to erect trade barriers which block U.S. sales.

**If the U.S. government and agricultural industry are to reverse this loss in market share, we must collectively address these strategic trade issues.**

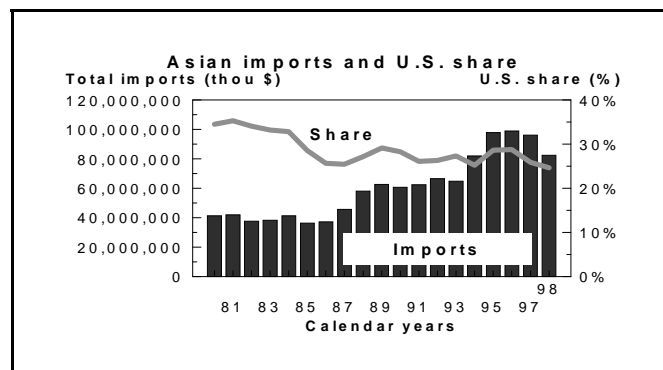
Strategic planning will improve the effectiveness of FAS' current budget resources. However, FAS is realistic in its expectations of what these improvements can yield without additional resources (public and private) being committed to take advantage of the new market opportunities that are being created by continuing trade liberalization. Foreign competitors are aggressively capturing these market opportunities by increasing their public and private sector expenditures on foreign market development and promotion.

Program operations and activities conducted by FAS during the period, 1996 to 1998, are typical in illustrating its strategic focus to accomplishing its Mission and Goals. The chart to the right shows how FAS is utilizing its resources within four regional market categories to accomplish its six performance objectives. FAS is striving to address export expansion opportunities and barriers to food security by using a variety of program tools and activities which are specifically aligned with the Strategic Objectives in the Annual Performance Plan. These programs and



activities are implemented through a recently developed, integrated and unified process that is intended to yield the largest benefit to exporters of U.S. agricultural products. These programs and activities are initiated to overcome constraints and take advantage of opportunities in foreign markets. For example, of the resources (primarily personnel) dedicated to accomplishing the objective of expanding market access opportunities for U.S. products, FAS allocates about 30 percent to work on market access issues in Asia; 32 percent in Europe and former Soviet Union; 20 percent in the Western Hemisphere (Canada, Mexico and South America); and about 14 percent in Africa and the Near East. The chart above illustrates for all the objectives how FAS allocates both personnel and program resources across the various regions. The following section highlights the export opportunities and competitive environment faced by U.S. agricultural exporters, including new trade barriers, increased agricultural output and significant government export promotion supports provided by our international competitors, a U.S. dollar that is relatively more expensive for importers than competitor currencies, and a declining U.S. market share of total foreign imports.

**Asia:** Asia is the U.S.' largest agricultural export market, accounting for 36 percent of U.S. shipments in 1999. While the region's currency and economic woes have caused U.S. sales to slip substantially over the past two years, the region remains U.S. agriculture's top long-term growth prospect during the next decade. Export opportunities are bright for a wide range of products, including bulk commodities and high-value processed foods in Japan, China, and Southeast Asia. However, market challenges are formidable. Major Asian

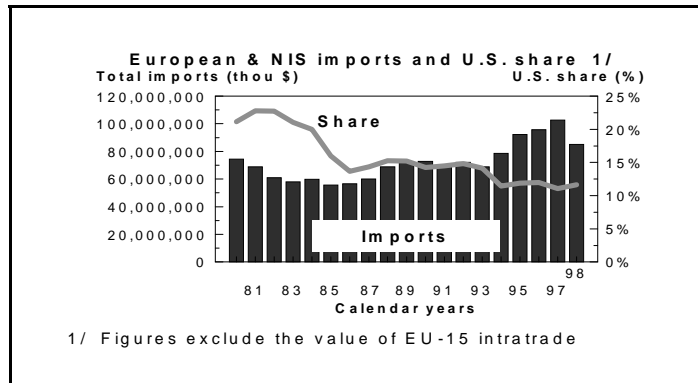


markets, such as China and Japan, have longstanding and enormous market access barriers to overcome and a buying public that has limited knowledge of U.S. products. This is why some 40 percent of FAS' export expansion resources (Goal 1) are focused on this region. FAS' Market Development Objective is highly focused on Asian markets, with more than 50 percent of market development resources dedicated to this region. With the region's market access barriers estimated at \$7.4 billion (i.e., inhibiting increased U.S. exports), FAS' trade policy activities are an important focus in Asia, as well. In FY 2001, FAS will have three major new trade agreements to monitor and enforce in this region: the anticipated WTO accession agreements for China and Taiwan, and the WTO panel decision requiring India to lift its extensive import restrictions. In 1998, a significant proportion of FAS' GSM credit guarantee activities were targeted to South Korea and Indonesia to counteract the negative export impacts from their economic crises. The effort paid off, especially in Korea, where U.S. exporters increased their share of that country's total imports while competitors saw their share slip. Despite this success and the rich opportunities that lie ahead as the region's economic recovery gains speed, there will be immense competition from the world's other exporters to supply Asia's food import needs, which were estimated at roughly \$82 billion in 1998. In fact, since 1981, the competition has made major inroads in the region, resulting in the U.S. share falling from 35 percent in 1981 to 25 percent in 1998 -- a loss for U.S. exporters worth roughly \$8 billion a year at current trade levels. The near-term challenge is to halt any further loss of share in this important region. In the longer term, the challenge is to reverse those losses. Food security activities in the region are focused on market access, food safety, research exchanges, and economic developmental technical assistance.

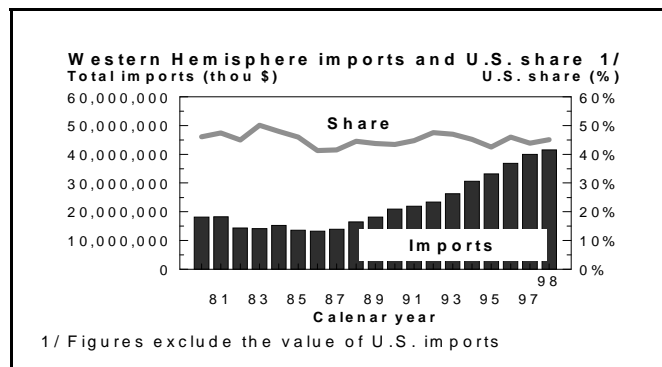
### Europe and the Newly Independent States:

Europe and the NIS, combined, account for nearly 20 percent of all U.S. agricultural exports, mostly to the EU-15. In terms of market size, this regional market is among the world's largest -- comparable to Asia with 1998 imports totaling \$85 billion. However, the U.S. share is much lower than in Asia -- only 11 percent -- and is down sharply from the 22-percent level seen in the early 1980s. FAS' strategic approach is to align its market access and development activities to target continued trade barriers in western Europe, where high-income buyers represent very

attractive markets for U.S. value-added food products. In addition to being one of our largest markets, the European Union is our largest competitor and our most important adversary in our efforts to reform global agricultural trade through multilateral negotiations. The EU's heavily subsidized agriculture and protectionist trade policy set precedents that could unravel the progress the U.S. has made in creating a more level playing field for U.S. exporters. The EU is the only member which has refused to implement WTO panel decisions, and it has done so twice. FAS diligently monitors EU actions to retain U.S. access to this lucrative market and to ensure EU's actions do not set global precedents that negatively affect U.S. trade elsewhere. In FY2001, FAS will be heavily engaged in WTO negotiations. Much of the discussion will focus around reforms needed to reduce trade distortions caused by EU policies. FAS will continue to deploy its market development resources to help U.S. exporters to maintain and/or expand market share in this complex and wealthy market. FAS sees the NIS, especially Russia, as a potentially huge growth market in the long-term for both bulk commodities and high value products once they come to terms with their current economic challenges. Long-term development and food security in eastern Europe and the NIS are promoted by food aid and long-term market infrastructure development which will enhance sustainable market-oriented economies. In FY 2001, FAS will also be negotiating comprehensive trade agreements with Russia and Ukraine as they attempt to bring their trading regimes into compliance with the WTO.



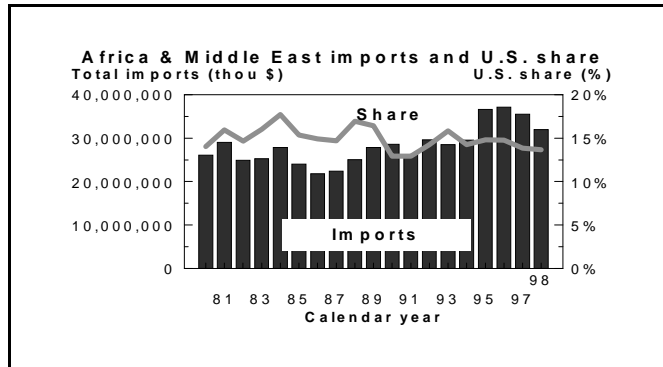
**The Western Hemisphere:** FAS is placing nearly as much emphasis on our own continent as on Europe and the NIS. U.S. exports to the Hemisphere are expected to total \$16.5 billion in 1999, over 33 percent of U.S. agricultural exports worldwide. In terms of regional market size, the Western Hemisphere is only half the size of Asia or of Europe/NIS. However, U.S. market share is much higher -- roughly 45 percent. This is largely unchanged since the early 1980s. The North American market, represented by Canada and Mexico, overwhelmingly



dominates U.S. exports to the region. Exports to Canada and Mexico in 1999 are expected to total \$12 billion, accounting for 75 percent of all U.S. shipments to the Hemisphere. Strategy approaches for Canada and Mexico are only somewhat different. The strategy for Canada, as a result of NAFTA, focuses on market development to educate consumers and promote demand. The export expansion strategy for Mexico is to emphasize market development by focusing on consumer education and food handling. It is heavily supported by market finance via the GSM export credit guarantee programs. More than \$1.0 billion in export credit guarantees were made available to facilitate sales to Mexico. A second Latin American market of increasing interest is Brazil. While market development projects and GSM support is less in

Brazil than in Mexico, it is much higher than in other Latin American countries. Brazil's Gross Domestic Product and population are nearly twice that of Mexico, yet U.S. agricultural exports were only \$500 million, compared to \$6.0 billion by Mexico. FAS' Food Security Goal in Central America is currently focused on repairing the infrastructure damage created by Hurricane Mitch in 1998. FAS' strategy is focused on the extreme food security and infrastructure needs of Nicaragua, Guatemala, and Honduras.

**Africa and the Near East:** Africa and the Near East account for approximately 11 percent of U.S. shipments in 1999. Sub-Saharan Africa is recognized as the most food insecure region in the world; however, it and other parts of Africa and the Near East are fast becoming more attractive commercial markets for bulk and intermediate commodities and high-value products. U.S. market share has ranged between 16% in 1981 to its current level of 14% in 1998. While the total dollar value of current U.S. exports to Africa and the Near East are low



(approximately \$4.5 billion in 1998) compared to other regions, there are profitable niches for U.S. exporters. To expand U.S. export opportunities, FAS is taking a twofold approach. First, as part of The President's Africa Initiative, FAS is actively participating in international bilateral committees on African market development where trade barrier and access issues are identified and agreements negotiated. Second, FAS is targeting Africa with its market development programs when profitable trade opportunities arise. For example, FAS has allocated GSM credit guarantees to the region to increase the availability of credit to purchase U.S. agricultural products but more work needs to be done to increase the use of those credits. FAS has conducted Cochran program training and trade and investment conferences to promote linkages between Africa and the U.S. Additionally, nearly a third of FAS' food security activities are dedicated to promoting sustainable agriculture and developing market infrastructure in this region as a necessary prerequisite for long-term export market development. Besides administering USAID reimbursable projects for sustainable agriculture and improving environmental farming practices, FAS' food aid programs provide a short-term answer to meeting the food deficit in Sub-Saharan Africa while continuing to provide incentives for African countries to move toward privatization, governmental policy reform and stable market economies. For example, some of the food aid projects focus on sustainable agriculture, income-generation, and establishing local credit institutions. FAS has also been working to leverage private sector contributions from U.S. companies which are already doing business in Africa.

**External Factors:** FAS mitigates the negative impacts of external factors posed by foreign competitors to the extent possible within existing budgetary constraints by assessing competitor expenditures on export promotions and subsidies and by effectively deploying staff, and technological and program resources. External factors include foreign competitors' use of export subsidies, non-price export promotion, monopolistic marketing boards, and various technical assistance programs.

Other external factors outside FAS' span of control include: variability in crop production due to weather conditions, both at home and abroad; effect of foreign exchange fluctuations on the price of U.S. products abroad; political and economic instability that may undermine demand in key importing countries; and reductions in resources of other USDA and Federal agencies with which FAS works in partnership to fulfill its strategic mission and goals. FAS mitigates economic instability in foreign markets through the use of CCC Export Credit Guarantee programs to offset the effects of short-term liquidity shortages (e.g., in FY 1998 FAS increased export credit guarantee allocations to Asian countries suffering the effects of the Asian financial crisis). Additionally, FAS mitigates the effects of natural disasters (e.g., Hurricane Mitch) by shipping food aid commodities to and by managing technical assistance projects in those countries experiencing food shortages and damage to their basic infrastructure.

**Goal 1:** Expand export opportunities for U.S. agricultural, fish, and forest products. FAS' standard of success is set at reaching 22 percent of the international agricultural export market by the year 2010.

**Objective 1.1:** Open, maintain, and expand foreign market access for U.S. agricultural, fish, and forest products.

<b>Baseline:</b>	Recent activity levels for selected performance indicators include:	<b>FY 1997</b>
•	Gross annual trade value of markets created, expanded, or retained in FY 1997 (\$Bil)	\$2.0
•	Estimated trade opportunities preserved by assuring implementation of existing trade agreements by signatory countries through the WTO notification process in FY 1997 (\$Bil.)	\$2.0
•	Percent of successfully defended NAFTA/WTO legal challenges of U.S. compliance with regional and multilateral agricultural trade commitments in FY 1997	100%

**Program Activities:** Market Access. Negotiate bilateral, regional, and multilateral trade agreements and monitor compliance; identify restrictive tariff and nontariff barriers that restrict U.S. agricultural, fish, and forest product exports and negotiate their removal; facilitate the development of trade-appropriate international standards; and administer import management programs and other mandates.

	<b>FY 1999 Actual</b>	<b>FY 2000 Estimate</b>	<b>FY 2001 Estimate</b>
Salaries and Expenses (\$Mil.) – Appropriated FTEs – Appropriated	\$26.222 219	\$26.743 219	\$28,074 227

<b>PERFORMANCE GOALS AND INDICATORS</b>	<b>FY 1999 Actual</b>	<b>FY 2000 Target</b>	<b>FY 2001 Target</b>
Estimated trade opportunities preserved annually by assuring implementation of existing trade agreements by signatory countries through the WTO notification process (\$Mil.) <sup>1/</sup>	\$1,995	\$2,000	\$2,000
Estimated trade opportunities preserved annually through development of trade-appropriate guidelines, recommendations, and standards in international organizations (\$Mil.) <sup>1/</sup>	\$5,000	\$5,000	\$5,000

	FY 1999 Actual	FY 2000 Target	FY 2001 Target
Gross trade value of markets created, expanded or retained annually due to market access activities (other than WTO notifications and/or standards) (\$Mil.) <sup>1/</sup>	\$2,567	\$2,000	\$2,500
Percent of successfully defended NAFTA/WTO legal challenges of U.S. compliance with regional and multilateral agricultural trade commitments	100%	100%	100%
Percent completion of regional and multilateral trade rules to minimize/eliminate trade-distorting practices			
* WTO (% of negotiation completed)	10%	25%	50%
* APEC (% of negotiation completed)	50%	60%	70%
* FTAA (% of negotiation completed)	2%	10%	20%

<sup>1/</sup> These key performance goals illustrate the impact of international trade negotiations and enforcement monitoring upon the USDA's high-level goal of U.S. access to foreign markets. Constant monitoring and negotiating new agreements add tremendous value to current and potential U.S. exports. It is understood that the measured performance data reflecting potential export markets under negotiation are by nature "not guaranteed" and may be arguable between professional economists - but nevertheless are very significant and will be estimated as they occur using a systematic approach designed to avoid overstatement.

**Discussion of Annual Performance Goals:** The achievement of this performance goal supports the accomplishment of USDA's Goal 1.2: Open, expand and maintain global market opportunities for agricultural producers. The rationale for FAS' efforts to increase foreign market access is to achieve a more level playing field for U.S. agricultural, fish, and forest product exporters. This will result in additional opportunities for U.S. agricultural exports and, in turn, result in additional benefits to the U.S. national and rural economies and domestic employment. FAS performance indicators for market access focus on resolving or advancing country- specific trade issues; implementing, enforcing, and expanding existing trade agreements; negotiating rules- and standards-based issues; and administering the import management program for sugar and dairy products and the export sales reporting system.

FAS' involvement in crosscutting initiatives that support this objective are the U.S. Government's Trade Policy Steering Committee (TPSC) and Trade Policy Review Committee (TPRC) both chaired by USTR, and the USDA Policy-Level Group on Technical Barriers to Trade. FAS' involvement in these USTR chaired committees ensures that the agricultural production and processing sectors of the U.S. economy and their issues are fully represented. As a result of a General Accounting Office review of USDA's approach to resolving SPS issues, FAS is supporting the Special Assistant to the Secretary on International Affairs by serving as Secretariat to a newly established USDA Policy-Level Group on Technical Barriers to Trade. Other participating USDA agencies include APHIS, AMS, ARS, ERS, FSIS, GIPSA, OGC, and Office of Chief Economist. FAS is facilitating monthly working level meetings with other USDA agencies to jointly decide priorities for resolving SPS issues.

**Means and Strategies:** FAS's top priority over the next three years is on market access issues. The rationale for the increased focus on market access is discussed below.

**The necessary resources to support Market Access Compliance and Trade Negotiations include**



**an additional \$750,000 and 8 staff years:**

U.S. agriculture made groundbreaking progress in the Uruguay Round of multilateral trade negotiations, improving world market opportunities for U.S. agricultural products by an estimated \$5.17 billion during the implementation period. However, the United States will have to fight to maintain these gains while we pursue greater trade policy reform.

After the Uruguay Round, FAS shifted resources from negotiation to monitoring and ensuring compliance with new tariff and non-tariff commitments, negotiating WTO Accession agreements, and developing harmonized rules of origin for customs purposes. The monitoring process has dealt with major market access issues for U.S. farm products, including such diverse issues as poultry and pork tariff-rate quotas (TRQs) in the Philippines (estimated annual market \$90 million), the dry milk TRQ in the Dominican Republic (estimated annual market \$6 million), Hungary's excessive domestic subsidies (\$10 million market impact), and the dispute settlement cases against Canada's dairy export programs and South Korea's segregation of imported beef (average annual sales of \$300 million). Resources also shifted to support several other critical initiatives, such as negotiating the Free Trade Area of the Americas (FTAA) and Asia-Pacific Economic Cooperation (APEC) initiatives.

Because the next round of WTO negotiations is a priority of the Clinton Administration, Congress, and the U.S. agriculture community, FAS has begun to shift resources back to prepare for the new round. Soon our effectiveness in monitoring and enforcing Uruguay Round commitments, and negotiating WTO Accessions, will be severely hampered by staff shortages. For example, FAS is the official U.S. enquiry point for all agriculture related technical barriers to trade and SPS notifications and currently receives over 440 WTO notifications annually that can potentially affect U.S. agricultural exports. However, due to staff constraints, FAS is able to review fewer than 10 percent of all agriculture related notifications made to the WTO. Unless foreign governments are aware that the United States has a concern about a specific proposed rule, they can not take our interests into account. Moreover, once these rules become effective and trade is impaired, resolving the issue becomes more difficult. The United States must then decide to forego this trade, initiate bilateral discussions, or initiate dispute settlement proceedings.

The budget proposes \$600,000 for 8 additional staff years to address the workload associated with the ongoing work of monitoring market access compliance and negotiating WTO accessions (i.e. Russia, Ukraine, and others). This involves significant analytical work, development of negotiation strategies and private sector coordination, outreach to foreign countries to help build support for further reform, and country intelligence and diplomacy. Additionally, the budget includes \$150,000 to fund technical expert participation from other USDA agencies in international consultations particularly related to food safety and biotechnology issues, and to contract for technical expertise as needed to interface effectively with foreign regulators.

Without additional resources, several billion of dollars of U.S. agricultural trade could be lost over the next 3 years, and more would be impacted as the deterrent effect of our activities is substantially eroded. The possibility that FAS cannot effectively implement the existing agreement while negotiating the new one could substantially undercut chances for success in the next round. FAS' work in the World Customs Organization to prevent countries from reclassifying products into higher tariff categories might have to stop. Already FAS does not have the resources necessary to ensure that terms of accession to the WTO for smaller countries do not set precedents that larger applicants, such as Russia, Ukraine, or Saudi Arabia will insist on following. Likewise, FAS is performing triage to decide which WTO violations to pursue in earnest. Without the additional resources requested, FAS will have to make major resource adjustments that will allow the ability to monitor only our top markets. Resources devoted to Latin America (other than Mexico and the FTAA) would be cut, as would resources dedicated to Eastern Europe, the Former Soviet Union (except Russian WTO accession), Africa, Southeast

### Asia, Oceania, and the Middle East.

FAS resources are needed to strengthen USDA's coordination, monitoring, and enforcement of existing international trade agreements, including the Uruguay Round Agreement, the North American Free Trade Agreement, technical agreements on Sanitary and Phytosanitary (SPS) issues, and bilateral agreements with various countries around the world. FAS' strategy to develop policies for resolving/reducing trade barriers is determined in large part through inter-agency processes and reflects Administration priorities. Within USDA, it is also determined in consultation with policy officials including the Office of the Secretary and the Sub-Cabinet. FAS also coordinates private sector involvement in identifying overall trade policy objectives regarding agricultural trade issues through the Agricultural Policy Advisory Committee (APAC) and five Agricultural Technical Advisory Committees (ATACs).

The lead organizational unit is FAS' International Trade Policy program area. Its activities are supported by Commodity and Marketing Programs and FAS' overseas offices which dedicate considerable resources to the resolution of trade policy issues. FAS foreign and domestic travel enables FAS headquarter representatives and negotiators to successfully accomplish these goals.

FAS recognizes the need for a more integrated and comprehensive process for tracking trade policy issues from identification to resolution and is developing an integrated trade issues data base. Through focus groups and prototype development, FAS has developed a distributed client/server and Internet database application that allows USDA employees worldwide to access a unified catalog of trade issues. The application relies on separate work units within FAS, FSA, APHIS, FSIS, and GIPSA for maintenance. The separate databases of the individual work units are linked by a central search engine. These critical systems were tested in late FY 1999 and during the first quarter of FY 2000 and were certified Y2K compliant. Additionally, FAS is working to ensure that its systems are compatible with the standards established by the USDA Standards and Architecture Groups of the Office of the Chief Information Officer.

**Verification and Validation:** FAS employs a mix of manual and automated procedures and systems to verify and validate the performance indicators associated with this objective. The Deputy Administrator for International Trade Policy is responsible for coordinating the reporting on the measures above. Managers have developed verification and validation procedures for each measure ensuring the validity of information reporting in the Annual Performance Report. FAS Compliance Review staff is reviewing these procedures for completeness and accuracy and performs periodic reviews. Also, FAS is in the process of developing a performance management and reporting system that will be accessible from FAS' Intranet. Each Deputy Administrator will be required to report accomplishments against agency targets on a quarterly basis. These reports will be reviewed by the Office of the Administrator and the appropriate upper-level managers so that mid-course adjustments can be made and resources reallocated if necessary.

**Objective 1.2:** In cooperation with private industry partners, identify and develop new export opportunities and assist the U.S. agricultural sector in responding effectively.

<b>Baseline:</b>	Recent activity levels for selected performance indicators include:	<b>FY 1997</b>
•	Number of FAS program participants that improve their strategic planning process as verified by independent audit by FAS Compliance Review Staff	15
•	Cumulative number of organizations that have coordinated at least one activity with another participant in the Unified Export Strategy (UES) process	25
•	Number of foreign market constraints (other than trade policy) addressed annually through UES (FY 1998)	2021
•	Direct sales reported by U.S. participants at international trade shows (\$Mil) (FY 1998)	\$206

**Program Activities:** Market Development, Promotion, and Outreach. Seek out and develop export opportunities through market research and trade servicing and develop them through technical assistance and promotion programs targeting foreign audiences conducted by FAS staff or in jointly funded partnership with U.S. food and agriculture export promotion organizations. Improve the effectiveness of U.S. industry export efforts by efficiently communicating export opportunities to the U.S. trade and assisting in the development of comprehensive strategic responses with particular emphasis on cooperatives and small, new-to-market, or disadvantaged entities or products.

	<b>FY 1999 Actual</b>	<b>FY 2000 Estimate</b>	<b>FY 2001 Estimate</b>
Market Access Program (\$Mil.) – Mandatory	\$90.0	\$90.0	\$90.0
Foreign Market Development Prog (\$Mil) – Appropriated	\$27.5	---	---
Foreign Market Development Prog (\$Mil) – Mandatory	---	\$27.5	\$27.5
Quality Samples Program (\$Mil) - Mandatory	---	\$2.5	\$2.5
Salaries and Expenses (\$Mil.) – Appropriated	\$32.900	\$32.183	\$34.178
FTEs --- Appropriated	186	186	198

<b>PERFORMANCE GOALS AND INDICATORS</b>	<b>FY 1999 Actual</b>	<b>FY 2000 Target</b>	<b>FY 2001 Target</b>
Level of agricultural, fish and forestry exports resulting from UES program participants market development activities (MAP & FMD) <sup>1/</sup>	---	TBD	TBD
Number of FAS program participants that improve their strategic planning process	33	14	14
Cumulative number of organizations that have coordinated at least one activity with another participant in the UES process	38	44	44
Average ratio of industry contribution to program funds expended	77%	80%	80%
Number of foreign market constraints (other than trade policy) addressed annually through UES	1,510	1,510	1,510
Number of small businesses budgeted for MAP activities (individually through the Branded program and within Cooperator organizations)	558	558	558
Direct sales reported by U.S. participants at international trade shows (\$Mil) <sup>1/</sup>	\$315	\$250	\$270
	<b>FY 1999 Actual</b>	<b>FY 2000 Target</b>	<b>FY 2001 Target</b>
Direct sales reported by U.S. participants based on marketing services of AgExport Connection (trade leads, Buyer Alerts, importer lists) (\$Mil) <sup>1/</sup>	\$110	\$100	\$100

Direct sales reported by U.S. participants at attache-sponsored events (AMP activities) (\$Mil) <sup>1/</sup>	\$18	\$10	\$10
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<sup>1/</sup> These key performance goals reflect important market development activities which reduce market constraints to U.S. sales. Examples include lack of consumer awareness and utilization of U.S. products, addressed through the MAP and FMD programs, and direct U.S. sales at international trade shows or through import buyer alerts and trade leads. While these performance goals are "snapshots" of market penetration, the impact on repeat sales and U.S. exports in years to come are obvious. Many econometric models by respected universities have confirmed that successful market penetration is accompanied by long-term export sales and domestic benefits upon U.S. industry and employment.

**Discussion of Annual Performance Goals:** The achievement of these performance goals supports the accomplishment of USDA's Goal 1.2: Open, expand and maintain global market opportunities for agricultural producers. USDA's rationale for strengthening U.S. agriculture's long-term competitive position in global markets is to provide a more level playing field for U.S. exporters of agricultural, fish, and forest products. FAS' market development strategy relies heavily on market promotion programs (FMD, MAP, and trade show sponsorship) and an ambitious overseas and domestic outreach effort.

FAS is developing a meaningful outcome-related performance goal that measures the impact of our market development and promotion programs on expanding export opportunities. Economic analysis can only project the impact of these activities on increasing exports given certain assumptions. The difficulty FAS faces is not with expressing the level of performance in a tangible and measurable manner through economic analysis, but with comparing actual achievement in future years (i.e., complying with the definition of a performance goal in OMB Circular No. A-11, Part 2).

**Means and Strategies:** The necessary resources include an increase of \$1,500,000 and 12 staff years for priority overseas market development and trade enhancing opportunities:

The FY 1999 FAS Global Review of overseas staffing and a recent review of agency priorities in FY 2001 indicates that additional resources are needed to take advantage of promising market development opportunities in the key markets of Canada, Mexico, and the Philippines. Additional funding in FY 2001 would be directed to those priority markets which, based on the Global Review projections, offer significant market growth for U.S. exporters over the next 5 to 10 years. These markets include:

**Mexico** (moving the Nuevo Laredo Agricultural Affairs Office to a new ATO in Monterrey; adding one Agricultural Marketing Specialist and Marketing Assistant to an ATO satellite office in Guadalajara –\$400,000): Increased FAS representation in the banking and northern trade center of Mexico will allow the U.S. to take advantage of U.S. exporters' proximity and the market access provisions of NAFTA. A presence in western Mexico will allow the U.S. to take advantage of the expanding Hotel-Restaurant-Institutional (HRI) trade in the region and in Mexico's second largest city. Mexico is currently the third largest, single country market for U.S. agricultural exports.

**Canada** (new Agricultural Trade Office in Toronto–\$550,000): Significant trade opportunities exist for small- to medium-sized U.S. exporters in our second largest, single country market. This new office would form the hub for an enhanced market development effort targeting new exporters in the United States.

**Philippines** (new Agricultural Trade Office in Manila-\$550,000): The Philippines is the 14th largest, single country market for U.S. agricultural goods, importing \$742 million of U.S. agricultural products in FY 1998. An ATO in Manila will make further inroads into this major

market and protect U.S. interests from major nearby competitors such as Australia.

FAS is increasing its market development programs' effectiveness by integrating them with other export programs, activities, and policy initiatives, and targeting promising growth markets or growth market segments in mature markets where market development is the most appropriate tool to boost exports. However, while pursuing this growth strategy, FAS must continue to invest appropriate resources in mature markets to protect hard-won gains from increasingly well-funded market development efforts by competitors.

FAS will continuously monitor competitor expenditures on export promotion and subsidies, and deploy staff, technological, and program resources through a unified export strategy to effectively combat the external threat posed by foreign competitors to market opportunities for U.S. agricultural, fish, and forest products. FAS also will work with industry partners, State and local governments, and other Federal departments and agencies involved in export promotion such as Department of Commerce, Export-Import Bank, Small Business Administration, and other USDA agencies (e.g., AMS, FSA, and the Rural Development Mission area) to ensure exporters are made aware of foreign market opportunities in a timely manner.

Increased workload demands will require significant improvements in staff efficiency and effectiveness. Utilizing appropriate technologies will assist FAS in handling this increased workload. FAS uses the U.S. Agricultural Marketing System (USAM) to account for the expenditures of funds received by the participants of the MAP and FMD programs. This critical system was tested in late FY 1999 and during the first quarter of FY 2000 and was certified Y2K compliant. Additionally, FAS is working to ensure that its systems are compatible with the standards established by the USDA Standards and Architecture Groups of the Office of the Chief Information Officer. Resources required for effective market development, promotion, and outreach include human resources, both in Washington and overseas, as well as program resources (FMD and MAP). Funds for human resources should include, in addition to staff salaries, provisions for domestic and foreign travel, as well as training. Both are crucial to the successful execution of FAS' strategy and attainment of its strategic and annual performance goals. The lead organizational unit is FAS' Commodity and Marketing Programs area. FAS' overseas offices are essential to assisting U.S. suppliers in establishing marketing and distribution channel contacts in foreign markets and also are critical to conduct overseas outreach events to generate interest in U.S. food and agricultural products.

**Verification and Validation:** FAS employs a mix of manual and automated procedures and systems to verify and validate the performance indicators associated with this objective. The Deputy Administrator for Commodity and Marketing Programs is responsible for coordinating the reporting on the measures above. Managers have developed verification and validation procedures for each measure ensuring the validity of information reporting in the Annual Performance Report. FAS Compliance Review staff is reviewing these procedures for completeness and accuracy and performs periodic reviews. Also, FAS is in the process of developing a performance management and reporting system that will be accessible from FAS' Intranet. Each Deputy Administrator will be required to report accomplishments against agency targets on a

quarterly basis. These reports will be reviewed by the Office of the Administrator and the appropriate upper level managers so that mid-course adjustments can be made and resources reallocated if necessary.

**Objective 1.3:** Provide world market agricultural intelligence services to support the accomplishment of other FAS strategic objectives and to meet the market intelligence needs of internal and external users.

<b>Baseline:</b>	Recent activity levels for selected performance indicators include:	<b>FY 1997</b>
•	Percent of FAS Circulars that are complete, on-time & contain no errors	95%
•	Number of average daily user sessions accessing FAS Home page	793

- Forecasting Accuracy - U.S. exports

93.9%

**Program Activities:** Market Intelligence Collect, manage, analyze, and disseminate information in support of agency-wide objectives including mandatory reporting and monitoring requirements; provide timely and accurate intelligence to FAS, USDA and other USG policy makers, program administrators, and data collection agencies; and distribute export market information to FAS's industry partners, universities and other private and public sector entities.

	FY 1999 Actual	FY 2000 Estimate	FY 2001 Estimate
Salaries and Expenses (\$Mil.) – Appropriated	\$23.308	\$23.772	\$24,288
FTEs — Appropriated	194	194	194

PERFORMANCE GOALS AND INDICATORS	FY 1999 Actual	FY 2000 Target	FY 2001 Target
Percent of external customers who rate FAS market intelligence as important or essential to their businesses <sup>1/</sup>	---	---	90%
Percent of internal stakeholders who rate FAS market intelligence as important or essential to their work (FY 2002 target for administering this survey) <sup>1/</sup>	—	—	—
Percent of FAS circulars that are complete, meet scheduled release dates, and contain no data errors	98.3%	95%	95%
Number of average daily user sessions accessing FAS home page over the internet by non-FAS users	2,979	3,500	4,000
Forecasting reliability of WASDE projections (Avg percent reliable: difference between February projection and final estimates for wheat, corn, rice, soybeans, and cotton) <sup>2/</sup>			
World exports	95.62%	95.95%	95.95%
U.S. exports	95.96%	93.90%	93.90%
Foreign (non-U.S.) production	98.36%	95.00%	95.00%
Number of countries assessed in FY 1999 for Y2K readiness in the international food supply sector and monitored in FY 2000	81	75	---

<sup>1/</sup> A key performance goal for market intelligence -- that is, collecting and distributing global trade, consumer demand, and production data on nearly 110 foreign countries, is whether it is fulfilling the needs of U.S. customers. There is no better way to serve the customer than to ask for their input regarding service.

<sup>2/</sup> This performance indicator shows the reliability of FAS market intelligence activities despite all of the challenges (e.g., weather, political instability in foreign markets, etc.) FAS faces as it develops these estimates.

**Discussion of Annual Performance Goals:** The achievement of these performance goals supports the accomplishment of USDA's Goal 1.2: Open, expand and maintain global market opportunities for agricultural producers. The rationale for USDA's foreign market intelligence gathering and analysis is two-fold. First, comprehensive and timely market information is critical to USDA's ability to support its program, regulatory, and policy-making activities in international trade and domestic production and

marketing. Second, access to timely market information is vital to U.S. producers and exporters who lack the economies of scale to collect and analyze this information on their own. FAS also collects overseas trade leads from foreign importers and supplies them to U.S. exporters.

FAS uses its comprehensive worldwide market intelligence gathering network to alert the domestic market to external factors such as variability in crop production due to weather conditions and the negative effects of foreign exchange fluctuations and economic instability on U.S. export opportunities. FAS works with industry partners, State and local governments, and other Federal agencies (e.g., National Oceanic Atmospheric Administration and USDA's World Agricultural Outlook Board, Economic Research Service, and National Agricultural Statistics Service) to accomplish its market intelligence objective. Additionally, in support of the Food Supply Working Group of the President's Council on Year 2000 conversions, FAS' Agricultural Attaches assessed in FY 1999 the Y2K readiness of 81 countries in the international food supply sector as it affects U.S. interests. This assessment covered 97% of U.S. food imports and 95% of U.S. food exports. Based on the initial FY 1999 assessments and decisions of the Food Supply Working Group, FAS overseas posts will continue to monitor the preparedness of these countries. FAS will concentrate its effort on key export markets, key import suppliers, and major food aid recipients. FAS' Information Division provides information about the Y2K issue to U.S. agricultural exporters and export associations through the FAS Home Page, AgExporter Magazine and other media channels.

**Means and Strategies:** The lead organizational unit for market intelligence is FAS' Commodity and Marketing Programs area. In coordination with FAS' overseas offices, which collect, analyze, and forecast country-specific crop and market information, this organizational unit assures accurate and timely distribution to end-users. Funds for human resources should include, in addition to staff salaries, provisions for foreign and domestic travel, as well as training. Both are crucial to the successful execution of FAS' strategy and attainment of its strategic and annual performance goals.

FAS works in partnership with the World Agricultural Outlook Board, National Agricultural Statistics Service, the Economic Research Service, and the USDA Office of the Chief Economist. In support of World Agricultural Outlook Board, FAS maintains up-to-date remote sensing capabilities for analysis of domestic and foreign crop production. Additionally, FAS is implementing two information technology initiatives that enhance its ability to rapidly gather, transmit, analyze, and disseminate agricultural intelligence. The Global Agricultural Information Network (GAIN) and the Production, Supply, and Distribution (PS&D) systems address the information acquisition, storage, transmission, and dissemination needs of FAS, other USDA agencies, and exporters by simplifying reporting procedures from FAS overseas posts, thereby freeing resources for additional intelligence and/or market development activities (i.e., focusing on increasing trade leads and buyer alerts).

FAS relies on a global information infrastructure to effectively carry out its mission. FAS computer hardware and software is located at over 90 overseas posts, which are mostly co-located with the Department of State (DOS) in embassies or consulates. A major focus of its overseas office infrastructure is collecting and reporting market-oriented intelligence. Information collected, reported, and disseminated is central to FAS effectiveness in attaining its mission, goals, and objectives. Therefore, its communications systems and links are critical to the success of those efforts. Ongoing efforts to enhance and upgrade systems are a major focus of the agency and, in the case of its overseas offices, these efforts must rely on cooperation and joint implementation with the DOS. Overseas communications relies in many respects on DOS and Diplomatic Telecommunications Service (DTS). FAS recently innovated use of DTS circuits for the provision of World Wide Web access. The ubiquitous nature of Internet technology makes it especially well suited to provide a global information infrastructure. These critical systems were tested in late FY 1999 and during the first quarter of FY 2000 and were certified Y2K compliant.

To maintain an effective communications system and mitigate the negative impact of disparate information handling processes across the Federal Government, FAS must rapidly adopt standards-based

technologies that will allow these processes to be integrated. Since the primary driver of communication requirements is the DOS, FAS works with them and other Federal agencies which have overseas offices and personnel (e.g., Treasury Department and Commerce Department) in adopting standards-based technologies. Where appropriate, FAS ensures that these standards are compatible with those established by the USDA Standards and Architecture Groups of the Office of the Chief Information Officer.

**Verification and Validation:** FAS employs a mix of manual and automated procedures and systems to verify and validate the performance indicators associated with this objective. The Deputy Administrator for Commodity and Marketing Programs is responsible for coordinating the reporting on the measures above. Managers have developed verification and validation procedures for each measure ensuring the validity of information reporting in the Annual Performance Report. FAS Compliance Review staff is reviewing these procedures for completeness and accuracy and performs periodic reviews. Also, FAS is in the process of developing a performance management and reporting system that will be accessible from FAS' Intranet. Each Deputy Administrator will be required to report accomplishments against agency targets on a quarterly basis. These reports will be reviewed by the Office of the Administrator and the appropriate upper level managers so that mid-course adjustments can be made and resources reallocated if necessary.

**Objective 1.4:** Focus financial and marketing assistance programs to meet foreign market development needs.

<b>Baseline:</b>	Recent activity levels for selected performance indicators include:	<b>FY 1997</b>
•	Level of U.S. agricultural exports supported by:	
	* GSM-102/103 export credit guarantees (\$Mil.)	\$2,876
	* Dairy Export Incentive (DEIP) and Export Enhancement (EEP) Programs (\$Mil.)	\$261
•	Number of countries analyzed for market opportunities and risk	45

**Program Activities:** Financial/Marketing Programs: Administer price/credit and risk assistance programs to leverage overseas market expansion opportunities for U.S. agricultural, fish, and forest products, and to counter export subsidies of foreign competitors to allow U. S. exporters to compete on a level playing field regarding sales terms.

	<b>FY 1999 Actual</b>	<b>FY 2000 Estimate</b>	<b>FY 2001 Estimate</b>
General Sales Manager (GSM) Export Credit Guarantees (\$Mil.) – Mandatory	\$3,045.0	\$3,787.0	\$3,792.0
Export Enhancement Prog (EEP) (\$Mil.) – Mandatory	\$1.4	\$579.0	\$478.0
Dairy Export Incentive Prog (DEIP) (\$Mil.) – Mandatory	\$145.0	\$119.0	\$66.0
Salaries and Expenses (\$Mil.) – Appropriated	\$8.741	\$8.915	\$9,109
FTEs -- Appropriated	73	73	73

<b>PERFORMANCE GOALS AND INDICATORS</b>	<b>FY 1999 Actual</b>	<b>FY 2000 Target</b>	<b>FY 2001 Target</b>
U.S. agricultural exports supported by GSM export programs (GSM-102/103, Supplier Credit, Facility Financing Guarantees) (\$mil. registered) <sup>1/</sup>	\$3,045	\$3,787.0	\$3,792.0



U.S. agricultural exports supported by Subsidy Programs (EEP and DEIP) (\$Mil.) <sup>1/</sup>	\$340	\$250	\$203
Annual number of GSM programs analyzed for market opportunities and risk	56	54	54
Assuring Commercial Program Integrity: Percent of identified administrative actions resolved (e.g., for nonperformance, suspensions and disbarments, etc.).	92.4%	77%	80%

<sup>1/</sup> These key performance goals for operating legislated programs focus specifically upon commodity exports support such as the Dairy Export Incentive Program (DEIP) and the GSM Export Credit Guarantee programs to assist export sales. The anticipated level of U.S. exports assisted will be compared to the actual level accomplished. Data reflecting actual accomplishment is straight forward and well documented.

**Discussion of Annual Performance Goals:** These performance goals and indicators support the accomplishment of USDA's Goal 1.2: Open, expand and maintain global market opportunities for agricultural producers. FAS uses its financial marketing tools to leverage market access and market expansion to enable developing countries lacking foreign exchange to buy U.S. agricultural, fish, and forest products on the commercial market. In this vein, FAS is focusing its foreign country financial marketing assistance programs away from the foreign government public sector as the primary importer to private sector importers. The global trend toward privatization has increased the relative importance of private sector buyers.

The GSM program is an especially useful tool to mitigate the negative effects of economic instability, which often results in short-term liquidity crunches. A recent example includes the use of GSM export credit guarantees to help importers buy U.S. agricultural products during the Asian financial crisis. In response to that crisis, the programming of export credit guarantees was expanded substantially and sales registrations under the programs were 40% higher in 1998 compared with the previous year. FAS works in partnership with exporters, domestic banks, and the Farm Service Agency's Financial Management Division in administering the GSM program. While the U.S. has a large share of the world market for bulk commodities, there is continued room for export growth in the high-value product sector. The Supplier Credit Guarantee program (SCGP) was created to expand high-value product exports by facilitating credit for such purchases in foreign markets lacking sufficient liquidity to purchase openly on the commercial market. The SCGP has more than doubled in volume every year since its inception in 1997.

**Means and Strategies:** FAS' lead organizational unit for planning and implementation of financial market assistance programs is its Export Credits program area. FAS strategy to identify and prioritize country allocations incorporates the Country Promotion Planning Process annually conducted by FAS' overseas offices. Each potential export credit recipient is evaluated for country economic outlook, its liquidity situation, and repayment risk before recommending participation. FAS administers these programs to maximize their impact on food security commitments of the U.S. government and expand export opportunities for U.S. agricultural, fish and forest products. Ensuring a high-level of participant compliance and operational integrity for these commercial programs is a major priority for FAS. This ensures that these valuable programs operate in the manner that the legislation requires and are operated fairly to assist U.S. exporters in capturing export sales for their products. A high degree of labor is required to operate, disburse, and ensure the integrity of these programs, as well as significant foreign and domestic travel to effectively plan and implement these programs.

As mandated by the Agricultural Trade Act of 1978, as amended, the Secretary of Agriculture is required to certify that a country is able and willing to meet its current and future debt obligations before extending

commercial credit guarantees. This responsibility was delegated to FAS. This mandate complements the Credit Reform Act of 1990 which resulted in the creation of the Interagency Country Risk Assessment System Working Group. This 9-agency group which is chaired by OMB, establishes the country risk ratings that are used to develop budget subsidy estimates for the Commodity Credit Corporation Export Credit Guarantee Programs (GSM-102, 103, Supplier Credit, and Facility Guarantee programs).

The Farm Service Agency of USDA is responsible for the financial management (budget and accounting) and IRM systems maintenance for these programs. These critical systems were tested in late FY 1999 and during the first quarter of FY 2000 and were certified Y2K compliant. Additionally, FAS is working to ensure that its systems are compatible with the standards established by the USDA Standards and Architecture Groups of the Office of the Chief Information Officer. Additionally, FSA has the program management responsibility for approving foreign banks' participation in the guarantee programs and for setting foreign bank credit (exposure) limits. As FSA's administrative services are converged with the administrative units of Rural Development and the Natural Resources Conservation Service, FAS will work to ensure that the program requirements continue to be met.

**Verification and Validation:** FAS employs a mix of manual and automated procedures and systems to verify and validate the performance indicators associated with this objective. The Deputy Administrator for Export Credits is responsible for coordinating the reporting on the measures above. Managers have developed verification and validation procedures for each measure ensuring the validity of information reporting in the Annual Performance Report. FAS Compliance Review staff is reviewing these procedures for completeness and accuracy and performs periodic reviews. Also, FAS is in the process of developing a performance management and reporting system that will be accessible from FAS' Intranet. Each Deputy Administrator will be required to report accomplishments against agency targets on a quarterly basis. These reports will be reviewed by the Office of the Administrator and the appropriate upper level managers so that mid-course adjustments can be made and resources reallocated if necessary.

FAS uses the following automated systems to capture data required to verify and validate the performance indicators. FAS' automated systems include the GSM Export Credit Guarantee system, the Dairy Export Incentive Program (DEIP) system, and the Export Enhancement Program (EEP) system. Deriving the level of U.S. exports supported for these programs varies by program. For the GSM export credit guarantee programs, the impact is verified by the dollar level of registered commitments compared to total GSM program announcements. For the DEIP and EEP programs, the impact is derived by multiplying the domestic market price by the quantity of commodities purchased by foreign buyers through the programs.

**Goal 2:** Promote world food security. Success is measured by the level of achievement towards the World Food Summit target of reducing the 1996 estimate of 841 million undernourished people by half (420 million) by 2015.

**Objective 2.1:** Develop and implement research, training, and technical assistance activities which promote development and adoption of policies that help meet world food security challenges as outlined in the 7 priority strategies in the U.S. Action Plan on Food Security.

<b>Baseline:</b>	Recent activity levels for selected performance indicators include:	<b>FY 1997</b>
•	Resources directed at agricultural related issues (\$Mil.) within the 7 priority strategies referenced above	\$38.4
•	Number of research, training and technical assistance, training, activities that promote sustainable agricultural development and agribusiness and trade facilitation	740

**Program Activities:** Long-term Market and Infrastructure Development: Administer technical assistance, training, and research activities that promote broad-based agricultural and agribusiness development and address global food safety and nutrition issues and represent USDA interests in international fora dealing with these and other agriculture and food related issues.

	<b>FY 1999 Actual</b>	<b>FY 2000 Estimate</b>	<b>FY 2001 Estimate</b>
Salaries and Expenses (\$Mil.) – Appropriated	\$7.958	\$8.080	\$8.215
(\$Mil.) – Reimbursable	\$64.799	\$55.255	\$54.316
FTEs --- Appropriated	55	55	55
Reimbursable	143	143	143

PERFORMANCE GOALS AND INDICATORS	FY 1999 Actual	FY 2000 Estimate	FY 2001 Estimate
Reduce food insecurity in 10 index countries by an average of 50% by 2015. (Index countries have been selected from the list of the 66 countries as estimated in the USDA Economic Research Service "Food Security Assessment Report".)	---	TBD	TBD
Direct resources in support of agricultural related issues within the 7 priority strategies in the <u>U.S. Action Plan on Food Security</u> (\$Mil.)	\$39.9	\$46.0	\$46.0
Contributions (in kind and direct financial by non federal government sources) to total funds expended upon the 7 priority strategies in the <u>U.S. Action Plan on Food Security</u>	8.6%	9.0%	9.0%
Number of research, training, and technical assistance activities that promote sustainable agricultural development worldwide and agribusiness and trade facilitation (e.g., nutrition, food aid coordination, SPS, food safety, and biotechnology) in emerging markets	789	823	823
Number of agricultural development and environment agreements negotiated, implemented or monitored.	7	7	7
Number of U.S. citizens assisted in obtaining senior management positions in international organizations representing agricultural interests	11	10	10

**Discussion of Annual Performance Goals:** The achievement of these performance goals supports the accomplishment of USDA's goal 2.5: Enhance world food security and assist in the reduction of world hunger. The rationale for FAS' administration of research, technical assistance, and economic development activities funded by USAID and other organizations is to help support the internationally sanctioned goal of reducing by half the number of hungry and under-nourished people worldwide by the year 2015.

FAS' rationale for facilitating the education of foreign officials and key experts in foreign countries on U.S. food safety standards and biotechnology is that we can help mitigate foreign customers' concerns over food safety through education and information dissemination. These activities are carried out by working with universities and other Federal agencies such as the Agricultural Research Service, Animal and Plant Health Inspection Service, and USAID, to secure technical experts in the area of food safety and biotechnology.

The Economic Research Service analyzes on an annual basis the food security of low-income countries that face immediate or potential gaps in meeting the minimal nutritional requirements (i.e., food gap) of their populations. This study, entitled "Food Security Assessment", provides a consistent methodology to measure the food security situation of 66 countries. It is generally recognized that food aid alone is not the answer. FAS mitigates external factors that contribute to food insecurity by working with international development banks, other Federal agencies (primarily USAID), and other organizations to encourage sustainable agricultural practices and enhance economic development and income growth.

**Means and Strategies:** The lead organizational unit is FAS' International Cooperation and Development (ICD) program area. Most of the funding of this program area's activities for administering research, technical assistance, training, and economic development is through reimbursable agreements with USAID, other USDA and Federal agencies, and foreign governments. The balance is supported by a combination of reimbursable funds for general support and administrative services, and FAS appropriated funding allocated for specific projects. Additionally, the FAS budget reflects resources associated with office space, computer hardware and software, and human resource support services (i.e., HAD, MSD and ARM). Improved use of enabling technologies and other operational processes will help FAS in achieving its objectives for this program activity by the year 2002.

For example, FAS is currently implementing an Operational Information System (OIS) to track ICD Funding Authorizations, projects, and activities, as well as people and organizations with whom ICD does business. The purpose of this investment is to create a business operations, management information, and reporting system which provides useful functionality to both ICD Divisions and to the Deputy Administrator, ICD/FAS. Currently, the absence of such a system has limited ICD's ability to effectively and efficiently conduct its business activities and to respond in a timely manner to informational requests from Congress, cooperators, clients and customers. This critical system was tested in late FY 1999 and during the first quarter of FY 2000 and was certified Y2K compliant. Additionally, FAS is working to ensure that all its systems are compatible with the standards established by the USDA Standards and Architecture Groups of the Office of the Chief Information Officer.

**Verification and Validation:** FAS employs a mix of manual and automated procedures and systems to verify and validate the performance indicators associated with this objective. The Deputy Administrator for International Cooperation and Development is responsible for coordinating reporting on the measures above. Managers have developed verification and validation procedures for each measure ensuring the validity of information reporting in the Annual Performance Report. FAS Compliance Review staff is reviewing these procedures for completeness and accuracy and performs periodic reviews. Also, FAS is in the process of developing a performance management and reporting system that will be accessible from FAS' Intranet. Each Deputy Administrator will be required to report accomplishments against agency targets on a quarterly basis. These reports will be reviewed by the Office of the Administrator and the appropriate upper level managers so that mid-course adjustments can be made and resources reallocated if necessary.

FAS performance indicators related to the number of project participants and technical assistance activities will be verified in project and program reports and evaluations required under funding agreements. FAS conducts an annual evaluation of its activities related to FAS/USDA representation at both international and inter-agency organizations. This evaluation will document qualitative and quantitative outcomes of such activities.

**Objective 2.2:** Develop and administer food aid and other assistance programs to meet international food security challenges and U.S. Government commitments.

<b>Baseline:</b>	Recent activity levels for selected performance indicators for this objective:	<b>FY 1997</b>
•	U.S. agricultural exports supported by:	
	* P.L. 480, Title I (\$Mil.)	\$185.4
	* CCC-funded Food for Progress (\$Mil.)	\$66.6
	* Section 416(b) (\$Mil.)	\$0.0
•	Number of food aid agreements signed FY 1998)	76

**Program Activities:** *Long-term Market and Infrastructure Development:* Administer P.L. 480 Title I, Food for Progress, and Emerging Markets programs to meet humanitarian assistance needs, promote sustainable long-term economic development, and increase and diversify U.S. agricultural exports.

	<b>FY 1999 Actual</b>	<b>FY 2000 Estimate</b>	<b>FY 2001 Estimate</b>
P.L. 480, Title I Credit Sales (\$Mil.) – Appropriated	\$830.0	\$267.0	\$180.0
Food for Progress <sup>a/</sup> (\$Mil.) – Mandatory	\$50.5	\$65.4	\$59.1
Section 416(b) <sup>a/</sup> (\$Mil.) - Mandatory	\$610.8	\$107.3	TBD <sup>b/</sup>
Emerging Markets Program (EMP) (\$Mil.) – Mandatory	\$10.0	\$10.0	\$10.0
Salaries and Expenses (\$Mil.) – Appropriated	\$13.551	\$13.759	\$13.989
FTEs – Appropriated	83	83	83

<sup>a/</sup> Represents 50 percent of the allocated costs of Food for Progress and Section 416(b) donations. Balance is allocated to FSA.

<sup>b/</sup> Level of Section 416(b) programming to be determined based on the availability of uncommitted CCC commodity inventory.

<b>PERFORMANCE GOALS AND INDICATORS</b>	<b>FY 1999 Actual</b>	<b>FY 2000 Target</b>	<b>FY 2001 Target</b>
U.S. agricultural exports supporting world food security:			
o P.L. 480, Title I (\$Mil.)	\$656.2	\$227.9	\$147.8
o CCC-funded Food for Progress (\$Mil.)	\$71.9	\$100.7	\$88.2
o Section 416(b) (\$Mil.) <sup>1/</sup>	\$793.6	\$139.7	TBD
Number of food aid agreements signed (Title I, Food for Progress, Section 416(b))	123	90	90
Percent of P.L. 480 Title I and Food for Progress program allocated to support expanded private sector activities in recipient countries	15.0%	13.0%	13%
Number of Food for Progress and Section 416(b) agreements Monitored and Evaluated	159	189	156

<sup>1/</sup> These key performance goals illustrate the operation of legislated programs focused on providing food aid to reduce short-term food insecurity in targeted countries. The anticipated level of U.S. exports assisted will be compared to the actual level accomplished. Data reflecting actual accomplishment is straight forward and well documented.

**Discussion of Annual Performance Goals:** These performance goals and indicators support the accomplishment of USDA's goal 2.5: Enhance world food security and assist in the reduction of world hunger. The rationale for FAS' administration of food aid and the Emerging Markets Program is to support long-term market infrastructure development to advance the important agency goal of promoting world food security. While food aid programs address both immediate humanitarian assistance needs and surplus reduction goals, USDA is focusing efforts to enhance the use of these programs to achieve long-term market development goals. One example of this is use of P.L. 480, Title I private sector authority. This is in addition to the food aid programs focused mainly on monetization that actively support private sector activity and economic growth in recipient countries.

As authorized by the P.L. 480 statute, FAS will use foreign currencies generated by P.L. 480 Title I, Section 108, to fund technical assistance and market development initiatives. FAS funds activities in selected countries to facilitate a transition toward commercially financed trade. The objective is to develop market infrastructure while helping developing countries feed their people. Over the long term, this should stimulate foreign demand and open new markets for U.S. food and agricultural products.

The Economic Research Service analyzes on an annual basis the food security of low-income countries that face immediate or potential gaps in meeting the minimal nutritional requirements (i.e., food gap) of their populations. This study entitled "Food Security Assessment" provides a consistent methodology to measure the food security situation of 66 countries. It is generally recognized that food aid alone is not the answer. FAS mitigates external factors that contribute to food insecurity by working closely with private voluntary organizations, international development banks, and other Federal agencies (e.g., State Department and USAID, and the United Nations World Food Program) to provide commodities that reduce the food gap. In FY 1999, FAS and USAID, through their specific program mandates and their strategic partners, provided food aid to 85% of the countries listed in the ERS study. Some countries (i.e., Colombia and Algeria) listed in the study did not receive food aid because there wasn't any need. Additionally, FAS provided food aid to other countries that were not included in the ERS study like Russia, North Korea and 5 countries in the Balkans, as a result of the NATO campaign in Kosovo. The U.S. is not the only country that provides food aid to food insecure countries. The gap between what is nutritionally required and what is available is often augmented by an international food aid effort in cooperation with other donor countries.

The P.L. 480 Title I funds support market development initiatives and food aid commitments in Asia, Sub Saharan Africa, and other regions. Food for Progress supports initiatives in developing countries and countries that are emerging democracies that are committed to introduce or expand free enterprise elements into their agricultural economies. Section 416(b) of the Agricultural Act of 1949 provides that excess Commodity Credit Corporation stocks can be used to support humanitarian food aid activities.

The level of U.S. foreign food assistance provided through these programs increased substantially in 1999. Donations of commodities under section 416(b) authority were at a record level as a result of the Food Aid Initiative announced by President Clinton on July 18, 1998. Under that initiative, over 5 million metric tons of wheat and wheat products were made available for donation overseas through agreements with foreign governments, private voluntary organizations, and the World Food Program of the United Nations. Programming of this assistance was completed by the end of FY 1999, but shipments of the commodities continued through the end of the calendar year.

During FY 1999, FAS also administered a package of food assistance for Russia which was announced by the Secretary of Agriculture on November 6, 1998. The package included approximately 1.4 million metric tons of commodities provided through P.L. 480 Title I concessional financing agreements and Food for Progress grant agreements carried out with Title I funds. An additional 1.7 million metric tons of wheat was provided to Russia through the President's Food Aid Initiative. Although programming of the assistance was completed during FY 1999, some commodity shipments carried over to FY 2000.

FAS's food assistance planning strategy is to identify and prioritize country allocations by using the data collected through the Country Promotion Planning Process (that is provided by FAS' overseas offices) and other sources. FAS' Export Credits program office evaluates this information and develops and administers programs and activities allowed under the legislation. This program area works in coordination with FAS' International Cooperation and Development program area, sharing responsibility for some Emerging Markets projects and P.L. 480 foreign currency accounts. FAS' headquarters office uses its overseas field office staff and works with other U.S. governmental agencies' staff in countries where FAS is not present to help negotiate P.L. 480 Title I agreements and review the viability of Emerging Markets and Food for Progress projects. FAS works in partnership with private voluntary organizations and other agricultural development organizations, including agricultural marketing cooperatives, to implement Emerging Markets and Food for Progress programs. Under the Food for Progress program, FAS uses the services of the procurement staff of the Farm Service Agency (FSA) in Kansas City, Missouri to purchase the commodities. FAS' P.L. 480 Operations Division oversees freight arrangements for bulk commodities, and the Agency for International Development oversees freight arrangements for packaged commodities. FAS also works with AID, FSA, and the Maritime Administration of the Department of Transportation to implement the cargo preference provisions of the Merchant Marine Act, 1936, as amended, where at least 75% of the gross tonnage of commodities

exported under food aid programs must be shipped on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates. Improved use of enabling technologies and other operational processes will help FAS in achieving its objectives for this program activity by the year 2002. These critical systems were tested in late FY 1999 and during the first quarter of FY 2000 and were certified Y2K compliant. Additionally, FAS is working to ensure that its systems are compatible with the standards established by the USDA Standards and Architecture Groups of the Office of the Chief Information Officer.

**Verification and Validation:** FAS employs a mix of manual and automated procedures and systems to verify and validate the performance indicators associated with this objective. The Deputy Administrator for Export Credits is responsible for coordinating the reporting on the measures above. Managers have developed verification and validation procedures for each measure ensuring the validity of information reporting in the Annual Performance Report. FAS Compliance Review staff is reviewing these procedures for completeness and accuracy and performs periodic reviews. Also, FAS is in the process of developing a performance management and reporting system that will be accessible from FAS' Intranet. Each Deputy Administrator will be required to report accomplishments against agency targets on a quarterly basis. These reports will be reviewed by the Office of the Administrator and the appropriate upper level managers so that mid-course adjustments can be made and resources reallocated if necessary.

FAS uses automated systems to capture data required to verify and validate the performance indicators, including the Automated P.L. 480 Umbrella System (APLUS) and various small databases. The APLUS system is maintained by FSA under the auspices of the Commodity Credit Corporation and is used jointly by FAS and FSA to provide complete financial management and accounting for this program.

**Management Initiative:** Provide fair and equal treatment in agency employment and the delivery of FAS programs.

**Program Activities:** All

	<b>FY 1999 Actual</b>	<b>FY 2000 Estimate</b>	<b>FY 2001 Estimate</b>
Salaries and Expenses (\$Mil.) FTEs	Included under Goals 1 & 2	Included under Goals 1 & 2	Included under Goals 1 & 2

<b>PERFORMANCE GOALS AND INDICATORS</b>	<b>FY 1999 Actual</b>	<b>FY 2000 Target</b>	<b>FY 2001 Target</b>
Administer Civil Rights Program Delivery Plan focused on increasing the involvement of minority organizations and universities.	60%	75%	85%
Implement Conflict Management Policy and Procedures and Train All Managers (CRIT 3.3)	50%	100%	100%



Develop Agency Workforce Plans and Implement Human Resources Evaluation Program, Worklife Survey, and Exit Interviews (CRIT 3.5)	60%	80%	90%
Implement Competency-based Management Training and Complete Peer Surveys (CRIT 3.6)	0.00%	50%	50%
Provide Civil Rights Training to All Employees (CRIT 4.1)	95%	100%	100%
Percent of managers who have had 80 or more hours of management/leadership training (FAS Goal is that 90% of its managers will have had 80 or more hours of Management/Leadership training by 2007).	29.6%	40%	50%

**Discussion of Annual Performance Goals:** The achievement of these performance goals supports the achievement of USDA's management initiative 1 - to ensure that all customers and employees are treated fairly and equitably, with dignity and respect. FAS' goals are consistent with the Civil Rights Implementation Team recommendations.

**Means and Strategies:** Resources necessary to accomplish this initiative are provided through salaries and expense funding.

FAS will utilize the Affirmative Employment and Recruitment Program planning process, in conjunction with the workforce planning processes, to identify under-represented groups by occupation and grade, and concentrate development and recruitment efforts in those areas. FAS will seek opportunities to increase representation of women, minorities, and persons with targeted disabilities in under-represented grade levels and occupations partially through more focused recruitment efforts, utilizing the 1890 Scholars Program, HACU Summer Intern Program, 1994 Land Grant institutions and Asian-Pacific American students.

Agency recruitment personnel are trained and certified to pursue recruitment opportunities in appropriate institutions and organizations. Agency-wide diversity and conflict management training will be provided to all managers to improve managers' skills in working in a diverse workforce and their conflict management skills. Other EEO and Civil Rights training will be provided to managers and employees following guidance from the Department. Alternative Dispute Resolution (ADR) procedures have been established for both FAS unions and non-bargaining unit employees. The purpose of ADR is to reduce the number of informal complaints that become formal complaints.

**Verification and Validation:** FAS employs a mix of manual and automated procedures and systems to verify and validate the performance indicators associated with this objective. The Director of Civil Rights is responsible for coordinating reporting on the measures above on a quarterly basis. These reports will be reviewed by the Office of the Administrator and the appropriate upper level managers so that mid-course adjustments can be made and resources reallocated if necessary.

Summary of Agency Resources For FY 2000 (Dollars in Thousands)			
	Goal 1	Goal 2	Total
Market Access	\$26,743 219 FTEs		\$26,743 219 FTEs
Market Development, Promotion, and Outreach	\$152,183 186 FTEs		\$152,183 186 FTEs

<b>Market Intelligence</b>	\$23,772 194 FTEs		\$23,772 194 FTEs
<b>Financial Marketing Assistance</b>	\$4,493,915 73 FTEs		\$4,493,915 73 FTEs
<b>Long-term Market and Infrastructure Development</b>		\$526,794 281 FTEs	\$526,794 281 FTEs
<b>Total</b>	4,696,613 672 FTEs	\$526,794 281 FTEs	5,223,407 953 FTEs

<b>Summary of Agency Resources For FY 2001 (Dollars in Thousands)</b>			
	<b>Goal 1</b>	<b>Goal 2</b>	<b>Total</b>
<b>Market Access</b>	\$28,074 227 FTEs		\$28,074 227 FTEs
<b>Market Development, Promotion, and Outreach</b>	\$154,178 198 FTEs		\$154,178 198 FTEs
<b>Market Intelligence</b>	\$24,288 194 FTEs		\$24,288 194 FTEs
<b>Financial Marketing Assistance</b>	\$4,345,109 73 FTEs		\$4,345,109 73 FTEs
<b>Long-term Market and Infrastructure Development</b>		\$325,620 281 FTEs	\$325,620 281 FTEs
<b>Total</b>	4,551,649 692 FTEs	\$325,620 281 FTEs	4,877,269 973 FTEs